

SAGINAW COUNTY DHS
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INTRODUCTION

The Office of Internal Audit performed an audit of Saginaw County DHS for the period November 6, 2006 through January 14, 2008. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Department of Human Services (DHS) are being followed. Saginaw County DHS had 232 full time equated positions (FTE's) at the time of our review. Saginaw County DHS provided assistance to an average 34,940 recipients per month during FY 2007, with total assistance payments of \$58,456,701 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at Saginaw County DHS, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts	Cash Disbursements
General Ledger	Modified Accrual Balance
Sheet Safe and Controlled Documents	State Emergency Relief
Direct Support Services	Client Processing
CIMS/ASSIST/LASR	Payroll Review
Procurement Card	

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Saginaw County DHS internal controls need improvement in order to provide management with reasonable assurance that assets are

safeguarded and transactions are executed in accordance with management's authorization. We found controls were adequate in the areas of Safe and Controlled Documents and General Ledger. However, we found instances of noncompliance with DHS policies and procedures and weaknesses in internal controls which are detailed below.

LOCAL OFFICE RESPONSE

The management of Saginaw County DHS has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated February 13, 2008 that they are in general agreement with the report.

FINDINGS AND RECOMMENDATIONS

Cash Receipts

County Petty Cash Reconciliation

1. Saginaw County DHS did not reconcile the county petty cash fund since April 2006. A monthly reconciliation of the petty cash fund is recommended but a quarterly reconciliation is required per accounting manual item ACM 402-5, by someone other than the custodian of the funds or the authorized signer.

WE RECOMMEND that Saginaw County DHS perform quarterly reconciliations of the county petty cash fund by someone other than the custodian or the authorized signer.

Note: Corrective action taken while the auditor was on site. The reconciliation was completed for the month of December 2007.

Cash Disbursements

Proper Documentation for Payments

2. Saginaw County DHS did not have original invoices to support payments made and did not stamp all supporting documents "PAID" when payment was made. Two out of 115

payment documents tested did not have original invoices and one payment was not stamped "PAID", and initialed and dated by the fiscal clerk as required by Accounting Manual Item 410. Having original invoices and canceling the payment documents helps reduce the risk of duplicate payments being made.

WE RECOMMEND that Saginaw County DHS have original invoices to support payments made and stamp all payment documents as "PAID".

Note: Corrective action was taken while the auditor was on site. The fiscal clerk stamped all documents "PAID".

General Ledger

Cash Balance on the DHS-206A Report

3. The beginning cash balance on the Saginaw County DHS Monthly Financial Report (DHS-206A) for the month of November 2007 did not reconcile to the ending cash balance on the October 2007 DHS-206A report as required by Accounting Manual Item 502. Posting all entries to LASR and printing the DHS-206A at the end of the month will ensure the balances are correct. We found that printing the DHS-206A report prior to all the journal vouchers being posted created the cash balance difference.

WE RECOMMEND that Saginaw County DHS perform monthly reconciliations of the ending and beginning cash balances.

Note: Corrective Action Taken while auditor was on site

Modified Accrual Basis Balance Sheet

Accounts Receivable Due from State

4. Saginaw County DHS did not reconcile between the Accounts Receivable Due from State: State Emergency Relief (078-011); Emergency Services (078-017); and Other

Administrative (State) (078-036) pending file accounts with the total for those accounts on the Modified Accrual Basis Balance Sheet. Accounting Manual Item 402.3 requires that a reconciliation of these accounts be performed each month. Reconciling these accounts monthly will ensure that State reimbursements received are properly documented and recorded.

WE RECOMMEND that Saginaw County DHS reconcile the Accounts Receivable Pending File to the Modified Accrual Basis Balance Sheet figure each month and resolve any discrepancies.

Note: Corrective action has been taken to resolve the differences.

Employment Support Services

Missing Documentation for Vehicle Purchases and Repairs

5. Saginaw County DHS did not have all the necessary case documentation for a vehicle repair or purchase on file. In 4 of the 14 cases we reviewed, the Support Service Determination and/or Education Plan Approval (DHS-4749) form was not completed. The Program Eligibility Manual (PEM) Item 232 indicates the DHS-4749 is necessary to document the reason for the service being requested and to document approval of the request.

WE RECOMMEND that Saginaw County DHS complete all necessary forms and invoices to document vehicle purchases and repairs.

Vehicle Repair in Excess of Cap

6. Saginaw County DHS did not ensure vehicle repair payments did not exceed \$900 for a 12 month period and that original invoices are used to support payment requests.

During our review we noted one vehicle repair payment for \$1,023. The Program Eligibility Manual Item 232 states vehicle repairs are limited to \$900 in a 12 month period.

In addition, one case reviewed did not have an invoice in the case record or in the fiscal office to document a vehicle repair. Instead, an estimate for the repair was submitted to the fiscal office to support the payment.

WE RECOMMEND that Saginaw County DHS ensure vehicle repair payments do not exceed \$900 for a 12 month period and that original invoices are used support payment requests.

Coordination with Michigan Works Agency

7. Saginaw County DHS did not coordinate with the local Michigan Works Agency (MWA) to ensure that both DHS and the MWA were not paying for the same item or service for clients who applied for them. Coordination is necessary to ensure that duplicate payments are not made between agencies. We found 7 out of 14 (50%) cases reviewed did not contain the MIS system form that is used for coordinating payments between DHS and MWA.

WE RECOMMEND that Saginaw County DHS coordinate with the local MWA to ensure that the two agencies are not providing duplicate services for clients.

Client Processing

Assignment of Cases to FIS/JET and ES Specialists

8. The Saginaw County DHS did not use the ASSIST system to assign new customers to Family Independence Specialists, Job Employment and Training, and Eligibility

Specialists. Rather, the local office is assigning cases based on a rotation log instead of using ASSIST to assign the case to a worker. ASSIST User Manual Item 300 details the procedures to be used for case assignment using ASSIST. Use of the manual worker rotation log instead of the case assignment function in ASSIST is an inefficient use of DHS resources.

WE RECOMMEND that Saginaw County DHS use the ASSIST system to assign the case worker.

CIMS/ASSIST

CIMS Security Agreements

9. Saginaw County DHS did not have accurate, up-to-date CIMS Security Agreements (DHS-3974) on file for 37 out of 231 employees who access the Client Information Management System (CIMS), as required by L-Letter 97-063. Thirty-six of the employees required a new agreement due to a name or CIMS status change and one employee had a status code on the DHS-3974 that did not agree with the status code listed on the Operator Identification Report (PF-011). An accurately completed Security Agreement is necessary to document that the employee understands the responsibilities associated with their CIMS access and that the supervisor approves the level of CIMS access.

WE RECOMMEND that Saginaw County DHS ensure that all employees who have access to CIMS have an accurate, up-to-date Security Agreement on file.

Note: Corrective action was taken

MA-010 Reconciliations Performed by FIM's with FIS Status

10. Ten Family Independence Managers (FIM's) at Saginaw County DHS performed the reconciliation of the Transaction Control Listing (MA-010) for transactions performed by their workers, although they had Family Independence Specialist (FIS) status on the Client Management Information System (CIMS). FIS status would allow the FIM's to process transactions on CIMS with no independent review of the transactions.

In addition, the FIM's are reconciling the ampersand cases to the case records without documenting the reconciliation by signing and dating the report and by appropriate written notations next to each reconciled transaction.

WE RECOMMEND that Saginaw County DHS either change the FIM's status on CIMS to inquiry only or have an independent person reconcile all transactions processed by the FIM's on CIMS.

WE ALSO RECOMMEND that Saginaw County DHS properly document the ampersand case reconciliation on the MA-010.

Case openings/reopenings/warrant rewrites

11. Saginaw County DHS did not reconcile a sample of case openings/reopenings and warrant rewrites on the Transaction Control Listing (MA-010) to the case file documentation as required by the Primary Internal Control Criteria for Local Offices. Instead, only the ampersand cases are being reconciled to the case documentation by the FIM's. Reconciling the case openings/reopenings and warrant rewrites against the case will substantiate the reason for the transaction.

WE RECOMMEND that Saginaw County DHS reconcile a sample of case openings/reopenings and warrant rewrite transactions to comply with the Primary Internal Control Criteria.

Incompatible ASSIST Job Types

12. Saginaw County DHS did not properly separate the duties of case registration and case openings and maintenance. We noted two employees had ASSIST job types that were incompatible. One office supervisor and FIM had job types 360 (Registration) and 240, 270, 280 (Case Opening and maintenance). These job types allow these employees to register cases and open them on ASSIST and perform file maintenance on CIMS. The Primary Internal Control Criteria for Local/District Office Operations state that no one person shall have both the 240/270/280 or 360/370 job types.

WE RECOMMEND that Saginaw County DHS either change or customize the job types of these employees so that they are not able to register and open cases.

Payroll and Timekeeping

Reconciliation of HR-332A (B) Turnaround Report

13. Saginaw County DHS did not reconcile the turnaround HR-332A to the original HR-332A report a week after payroll was run. The Primary Internal Control Criteria for Local/District Office Operations recommends that the local office reconcile the turnaround report to verify that the actual time reported agrees with the time that was originally submitted.

WE RECOMMEND that the Saginaw County DHS reconcile the turnaround HR-332A report to the original HR-332A report.

Payroll Certification

14. Saginaw County DHS did not establish adequate control over the payroll certification and review process.

The time keepers at Saginaw County DHS certified the payroll on the Data Collection Distribution System (DCDS) before the payroll was reviewed and approved by management responsible for certifying the payroll.

The Primary Internal Control Criteria for Local/District Office Operations requires that the payroll be certified on DCDS after the authorized certifier reviews and approves the Time and Attendance Summary Report (HR-332A).

WE RECOMMEND Saginaw County DHS certify the payroll on the Data Collection Distribution System (DCDS) after the authorized certifier has reviewed and approved the payroll.

Procurement Card

Sales Tax Charged

15. Saginaw County DHS did not always follow established policy in making purchases with the procurement card. Our review identified 1 out of 12 (8%) procurement card transactions where sales tax was paid on office supplies and food items. The Procurement Card Program Manual states that the State of Michigan is sales tax exempt and vendors are to be provided the tax exempt number.

WE RECOMMEND Saginaw County DHS comply with the Procurement Card Program Manual and not pay sales tax for items purchased.